

Semester: VIII				
Course Title: APPLICATIONS OF MACROECONOMIC POLICIES ON INDIAN ECONOMY				
Course Code: C4BC230841T			Credits: 5	
Category: MAJOR				
Theory/Practical/Composite: THEORY				
Course Overview:				
This course provides an analytical understanding of how macroeconomic policies are formulated and implemented in the Indian economy. It examines the objectives, instruments, and effectiveness of fiscal, monetary, and external sector policies, and their impact on economic growth, stability, and business decision-making. The course combines theoretical models with the Indian experience, including key reforms, crises, and policy debates. Case studies and empirical illustrations are integrated to highlight the interaction between macroeconomic policies and the corporate/business environment.				
Course Outcome: After learning this course the students will be able to:				
1. Identify and recall key concepts, definitions, and measures related to macroeconomic policies.				
2. Explain the objectives, instruments, and limitations of fiscal, monetary, and external sector policies in the Indian context.				
3. Use macroeconomic models such as IS–LM, multipliers, and Mundell-Fleming to demonstrate the impact of policies on the Indian economy.				
4. Analyse the effectiveness of fiscal, monetary, and exchange rate policies during major economic events (1991 reforms, Global Financial Crisis, COVID-19).				
5. Evaluate debates on public debt burden, deficits, fiscal rules (FRBM), monetary frameworks (Taylor’s Rule, inflation targeting), and their implications for India’s growth and stability.				
Prerequisites: Knowledge of Macroeconomics (Sem II) and Indian Economy (Sem III)				
SYLLABUS				
Unit/Module with topic name	Content	Number of Classes	CO Mapping	Cognitive Level
I. Unit 1: Introduction to Macroeconomic Policies	Macroeconomic policy: Meaning, Objectives and Significance. Major schools of thought in Macroeconomics. Macroeconomic Linkages - Fiscal, Monetary & Balance of Payments linkage. Macroeconomic policy and business environment in India. Case study: Impact of Macroeconomic policies on a firm’s Business strategy	8	CO1 CO2 CO3 CO4 CO5	K1 (Remember) K2 (Understand) K3 (Apply) K4 (Analyse) K5 (Evaluate)

	(ITC/TATA). Limitations of Macroeconomic policies: – Inside lag and outside lag – Burden of public debt – Time inconsistency problem			
II. Unit 2: Fiscal Policies and the Indian Economy	<p>Objectives of fiscal policy. Government expenditure, taxes, debt: An overview. Concepts of Deficit (Revenue, fiscal and Primary) Macroeconomic policy and economic stabilization. Fiscal stabilization measures in India:</p> <p>– Macroeconomic crisis of 1980s</p> <p>– Macroeconomic Stabilization measures: 1991 reforms</p> <p>– Fiscal policy during global financial crisis (Analysis using IS-LM framework)</p> <p>– Fiscal policies during COVID 19.</p> <p>Government budget multiplier and tax multiplier – Application of multipliers in Policy making (In the Indian Context) – Implications for business strategy (In the Indian Context).</p> <p>Burden of Public Debt</p> <p>– Inter-generational Issues</p> <p>– Lerner–Buchanan Debate</p> <p>– Ricardian Equivalence</p>	18	CO1 CO2 CO3 CO4 CO5	K1(Remember) K2 (Understand) K3 (Apply) K4 (Analyse) K5 (Evaluate)

	<ul style="list-style-type: none"> – Why should we worry about large deficits? – Rule-based Fiscal Policy (FRBM Act). - Indian Experience <p>Case study: Budget and its impact on business (current budget proposals)</p>			
III. Unit 3: Monetary Policy and the Indian Economy	<p>Objectives of monetary policy. Ultimate targets versus intermediate targets. Instruments of monetary policy. Monetary policy transmission mechanism. Rule versus discretion debate: Taylor's Rule. Fiscal policy- Monetary policy nexus.</p> <p>RBI's monetary policy framework:</p> <ul style="list-style-type: none"> – 1951–72: Controlled Expansion – 1972–91: Pre-reform period – 1991–96: Post-reform period – Since 1996: Easy money Policy and evaluation – RBI credit and monetary Policy 2006–07 – Post-2016 changes (Monetary Policy Committee and inflation Targeting). <p>Interest rate regimes in India. Recent monetary policy of RBI. Case study: How interest rate changes affect business decisions</p>	14	CO1 CO2 CO3 CO4 CO5	K1 (Remember) K2 (Understand) K3 (Apply) K4 (Analyse) K5 (Evaluate)
IV. Unit 4: Capital Flows and Exchange Rate Management in	IS-LM model with foreign trade. Mundell-Fleming model. The Impossible Trinity. Capital mobility		CO1 CO2 CO3 CO4	K1 (Remember) K2 (Understand)

the Indian Economy	and capital account convertibility in India. The foreign trade multiplier; Evolution of exchange rate regimes in India. Capital flows and exchange rate management during the 1991 crisis; Capital flows and exchange rate management during the Global Financial Crisis. Impossible Trinity and the Indian Economy	8	CO5	K3 (Apply) K4 (Analyse) K5 (Evaluate)
V. Unit 5: Growth Theories and Long-Run Policy implications	Harrod-Domar model and Indian planning, Mahalanobis growth model and pre-reform strategy, Romer vs. Lucas debate on long-run growth. Comparative study: Role of human capital in endogenous growth: India, Japan, Indonesia. Case study: Solow residual and the Indian economy	6	CO1 CO2 CO4 CO5	K1 (Remember) K2 (Understand) K4 (Analyse) K5 (Evaluate)

Textbooks

1. Sikdar, S. (2013). *Principles of Macroeconomics* (2nd & 3rd eds.). Oxford University Press.
2. Ahuja, H. L. (Revised ed.). *Macroeconomic Theory and Policy: Advanced Analysis*. S. Chand.
3. Agarwal, V. (2010). *Macroeconomics: Theory and Policy*. Pearson.
4. McConnell, C., Brue, S., Flynn, S., & Raychaudhuri, B. (2022). *Macroeconomics* (22nd ed.). McGraw Hill.
5. Dwivedi, D. N. (2016). *Macroeconomics: Theory and Policy* (6th ed.). McGraw Hill.
6. Roy, S. (2011). *Macroeconomic Policy Environment: An Analytical Guide for Managers* (2nd ed.). Tata McGraw Hill.
7. Ghosh, A., & Ghosh, C. (2019). *Indian economy: A macro-theoretic analysis* (5th ed.). PHI Learning Pvt. Ltd.
8. Bhattacharyya, R., & Dastidar, A. G. (2019). *Indian Economy: Issues, Policies and Performance*. Routledge.

Suggested readings

1. Rakshit, M. (2009). *Macroeconomics of Post-Reform India* (Vol. 1). Oxford University Press.
2. Rakshit, M. (Ed.). (2009). *Studies in Macroeconomics of Developing Countries*. Oxford University Press.

3. Snowdon, B., & Vane, H. R. (2005). <i>Modern Macroeconomics: Its Origins, Development and Current State</i> . Edward Elgar Publishing.
4. Carlin, W., & Soskice, D. (2006). <i>Macroeconomics: Institutions, Instability and the Financial System</i> . Oxford University Press.
5. Sikdar, S. (2010). <i>Capital Flows and Exchange Rate Management</i> . Oxford University Press.
6. Ray, P. (2012). <i>Monetary Policy</i> . Oxford University Press.
7. Wadhva, C. (Ed.). (1984). <i>Some Problems of the Indian Economy</i> (2nd ed.). Tata McGraw Hill.
8. Vasudevan, A., & Ray, P. (2017). <i>Macroeconomic Policies for Emerging and Developing Economies</i> . Sage Publishing.
9. Reddy, Y. V., Valluri, N., & Ray, P. (2015). <i>Financial and Fiscal Policies: Crises and New Realities</i> . Oxford University Press.
10. Sikdar, S. (2011). <i>Contemporary Issues in Globalization: An Introduction to Theory and Policy in India</i> (2nd ed.). Oxford University Press.
11. Jalan, B. (1991). <i>India's Economic Crisis: The Way Ahead</i> . Oxford University Press.
12. Joshi, V., & Little, I. M. D. (1996). <i>India's Economic Reforms, 1991–2001</i> . Clarendon Press.
13. Bardhan, P. (1998). <i>Political Economy of Development in India</i> (Expanded ed.). Oxford University Press.
14. Pachpande, S., Pachpande, A., & Kulkarni, J. A. (2012). <i>Indian Business Case Studies</i> (Vol. 1). Oxford University Press.
15. Harvard Business School. <i>Harvard Business Case Studies</i> . Harvard University.
16. Rao, Govinda M., <i>Studies in Indian Public Finance</i> , Oxford University Press, 2022.
Research Articles
1. Van Leeuwen, B. (2006). <i>The Role of Human Capital in Endogenous Growth in India, Indonesia and Japan, 1890–2000</i> . XVI International Economic History Congress, Helsinki.
2. Lucas, R. E. (1988). <i>On the Mechanics of Economic Development</i> . University of Chicago.
3. Kydland, F., & Prescott, E. (1977). <i>Rules Rather than Discretion: The Time Inconsistency of Optimal Plans</i> . <i>Journal of Political Economy</i> .
4. Sengupta, R. (2013). <i>The Impossible Trinity: Where Does India Stand?</i> . Indira Gandhi Institute of Development Research (IGIDR).
5. John Taylor and John C. Williams, (2010). <i>Simple and Robust Rules for Monetary Policy</i> , <i>Handbook of Monetary Economics</i> , Elsevier
6. Taylor John B. (1996). <i>Policy Rules as a Means to More Effective Monetary Policy</i> . <i>BOJ Monetary and Economic Studies</i> , Vol 14(1).
Official Reports and Policy Documents
1. Reserve Bank of India (RBI). <i>Report of the Committee on the Financial System (Narasimham Committee I)</i> , 1991.
2. Reserve Bank of India (RBI). <i>Report of the Committee on Banking Sector Reforms (Narasimham Committee II)</i> , 1998.
3. Reserve Bank of India (RBI). <i>Report of the Expert Committee to Revise and Strengthen the Monetary Policy Framework (Urjit Patel Committee Report)</i> , 2014.
4. Reserve Bank of India (RBI). <i>Annual Reports and Monetary Policy Reports</i> (various years).
5. Ministry of Statistics and Programme Implementation (MoSPI). <i>National Accounts Statistics</i> , Government of India (various issues).

6. National Sample Survey Office (NSSO). <i>Reports on Employment, Consumption and Other Surveys</i> , Government of India (various rounds).
7. International Monetary Fund (IMF). <i>World Economic Outlook</i> (various issues).
8. World Bank. <i>World Development Report</i> (various issues).
Web Resources
1. https://www.jstor.org/stable/1830193?utm
2. https://www.indiabudget.gov.in/doc/bspeech/bs199192.pdf?utm
3. https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=56174
4. https://rbi.org.in/scripts/BS_ViewBulletin.aspx?Id=16868
5. https://niti.gov.in/planningcommission.gov.in/docs/plans/planrel/fiveyr/index.html
6. https://www.financialexpress.com/policy/economy-indias-growth-and-the-solow-residual-3121085

Course outcomes (COs) and Cognitive Level Mapping

COs	CO Description	Cognitive levels
CO1	Identify and recall key concepts, definitions, and measures related to macroeconomic policies.	K1 (Remember)
CO2	Explain the objectives, instruments, and limitations of fiscal, monetary, and external sector policies in the Indian context.	K2 (Understand)
CO3	Use macroeconomic models such as IS–LM, multipliers, and Mundell-Fleming to demonstrate the impact of policies on the Indian economy.	K3 (Apply)
CO4	Analyse the effectiveness of fiscal, monetary, and exchange rate policies during major economic events (1991 reforms, Global Financial Crisis, COVID-19).	K4 (Analyse)
CO5	Evaluate debates on public debt burden, deficits, fiscal rules (FRBM), monetary frameworks (Taylor’s Rule, inflation targeting), and their implications for India’s growth and stability.	K5 (Evaluate)